

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA IMMEDIATE

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FOR ASSISTANT SECRETARY ROGERS

FOLLOWING REPEAT PANAMA 0245 ACTION SECSTATE INFO  
USCINCSO PANCANAL 14 JANUARY 76.

QUOTE

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E.O. 11652: N/A

TAGS: PFOR, ECON, PN

SUBJECT: LOCAL IMPACT OF POSSIBLE PANCANAL FORCE REDUCTIONS

REF: PANAMA 7290

SUMMARY: POSSIBLE REDUCTIONS IN PANCANAL WORK FORCE  
CONTINUE TO DRAW ADVERSE LOCAL COMMENT. AT TIME OF  
ECONOMIC DIFFICULTY, ISSUE HAS POTENTIAL OF BECOMING  
CONSIDERABLE PUBLIC RELATIONS PROBLEM FOR UNITED  
STATES. END SUMMARY.

1. DECLINE IN CANAL TRAFFIC, CANAL COMPANY FINANCIAL  
PROBLEMS, AND CONSEQUENT POSSIBILITY OF SEEKING  
OPERATIONAL ECONOMIES THROUGH REDUCTIONS IN WORK  
FORCE HAVE BEEN REPORTED IN LOCAL PRESS AT INTERVALS  
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OVER PAST FEW MONTHS. THESE REPORTS HAVE MET WITH CON-

SISTENTLY ADVERSE COMMENTS FROM EDITORIALS AND COLUMNISTS; LEAD EDITORIAL OF PRO-GOP "DOMINICAL" JANUARY 4, FOR EXAMPLE, EQUATED PANCANAL ECONOMY MEASURES TO CASE OF FAMILY FACING FINANCIAL STRINGENCY BUT UNWILLING TO DO WITHOUT LUXURY TO ECONOMIZE.

2. UNIONS REPRESENTING PANAMANIAN EMPLOYEES OF CANAL COMPANY ARE NOT AFFILIATED UNDER LOCAL LAW WITH DOMESTIC LABOR MOVEMENT. HOWEVER, OFFICIALS OF BOTH AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES AND NATIONAL MARITIME UNION HAVE ISSUED PUBLIC STATEMENTS TO LOCAL PRESS CONDEMNING REDUCTIONS IN PANAMANIAN LABOR FORCE FOR ECONOMY REASONS AND VOWING TO FIGHT SUCH REDUCTIONS.

3. SITUATION IS COMPLICATED BY CASE OF FRANKLIN CASTRELLON, A PANAMANIAN EMPLOYEE OF CANAL COMPANY INFORMATION OFFICE WHO WAS INFORMED IN DECEMBER THAT HE (ALONG WITH THREE U.S. EMPLOYEES IN SAME OFFICE) WOULD BE SUBJECT TO RIF FOR ECONOMY REASONS. PANCANAL HAS POINTED OUT THAT CASTRELLON WAS AMONG LEAST SENIOR EMPLOYEES IN OFFICE. CASTRELLON HAS PUBLICLY CHARGED THAT HIS DISMISSAL IS FINAL ACT IN A CAMPAIGN OF HARRASSMENT BEGUN BY HIS SUPERIORS WHEN HE SIGNED A PETITION BY LOCAL JOURNALISTS' UNION FAVORING GOP POSITION IN TREATY NEGOTIATIONS (PUBLISHED ARTICLES HAVE REFERRED TO AN "OUTSTANDING" PERFORMANCE RATING WHICH HE RECEIVED PRIOR TO SIGNING THIS PETITION). THIS UNION HAS MADE HIS CASE A CAUSE CELEBRE (CASTRELLON IS AN OFFICER OF THE UNION) AND IT HAS SINCE RECEIVED FREQUENT PRESS COVERAGE, ALL HIGHLY ADVERSE TO PANCANAL. UNION PRESIDENT (IN PRO-GOP "MATUTINO" JANUARY 5) USED CASTRELLON CASE AS STARTING POINT FOR DISPARAGING EXAMINATION OF PANCANAL ADMINISTRATIVE PRACTICES, WHICH HE CONCLUDED, WERE THE SOURCE OF MOST OF COMPANY'S FINANCIAL DIFFICULTIES. LEAD EDITORIAL OF PRO-GOP "CRITICA" JANUARY 6, CITING THIS ARTICLE, STATED "THERE IS NO DOUBT THAT THE 'ALLEGED ECONOMIC CRISIS' OF THE LIMITED OFFICIAL USE

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CANAL TURNS OUT TO BE A MIRAGE".

4. A NUMBER OF PANAMANIAN, IN PRIVATE CONVERSATIONS, HAVE ALSO OBJECTED TO AND/OR EXPRESSED CONCERNS ABOUT, POSSIBLE PANCANAL REDUCTIONS IN FORCE. THE REASONS GIVEN FOR THIS VIRTUALLY UNANIMOUS LOCAL REJECTIONS OF RIFS BOIL DOWN TO SOME COMBINATION OF THE FOLLOWING ASSERTIONS:

A. DISBELIEF THAT FINANCIAL PROBLEM EXISTS,  
OR, IF IT DOES, THAT IT IS GREAT ENOUGH TO WARRANT  
A PERCEPTIBLE REDUCTION IN FORCE.

B. PROBLEM IS ARTIFICIAL (I.E., DUE TO  
BOOKKEEPING PRACTICES), OR IS UNWARRANTABLE DUE TO  
CHARGING AGAINST CANAL REVENUES COSTS OF EXCESSIVE  
PRIVILEGES ENJOYED ONLY BY AMERICANS, AND/OR  
"CONCEALED SUBSIDIES" TO OTHER U.S. GOVERNMENT  
(I.E., MILITARY) AGENCIES.

C. DECISION TO CUT COSTS, RATHER THAN RAISING  
TOLLS, IS U.S. ACTION, ADVERSE TO PANAMA, TO FAVOR  
U.S. USERS OF CANAL.

D. REDUCTIONS IN FORCE WILL FALL PREDOMINANTLY  
ON LOWER-PAID PANAMANIAN EMPLOYEES DUE EITHER TO  
OUTRIGHT ANTI-PANAMANIAN PREJUDICE, OR TO DESIRE  
OF AMERICAN ESTABLISHMENT TO PROTECT ITS (HIGHER-  
PAID) MEMBERS AND THEIR PRIVILEGES; AMERICAN EMPLOYEES  
OUTGHT TO BEAR AT LEAST EQUAL SHARE OF BURDEN OF  
ECONOMIES, AND THIS IS NOW SAID NOT TO BE THE CASE.

5. COMMENT: PANCANAL'S ECONOMIC PROBLEMS AND  
DECLINE IN TRAFFIC COME AT A TIME OF A LOCAL ECONOMIC  
SLOWDOWN. INCREASING GENERAL CONCERN ABOUT THE  
ECONOMY, AND PARTICULARLY ABOUT UNEMPLOYMENT--  
WHICH WOULD ONLY BE AGGRAVATED IF PANCANAL WERE TO  
CARRY THROUGH WITH SUBSTANTIAL RIFS--UNDERLAYS  
MANY OF THE COMMENTS MADE LOCALLY. IN ADDITION, ANY  
SUCH ACTION BY PANCANAL WOULD RUN DIRECTLY COUNTER  
TO INCREASING GOVERNMENT EFFORTS TO DO SOMETHING  
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POSITIVE ABOUT THE ECONOMY. THE CASTRELLON CASE  
HAS SEVERAL BAD SIDE EFFECTS IN THIS REGARD. THE  
LOCAL JOURNALISTS' UNION DOES NOT APPEAR READY TO  
LET THE ISSUE DIE AND IT IS VERY LIKELY THAT PUBLIC  
TREATMENT BY LOCAL JOURNALISTS OF OTHER DISMISSALS  
OF PANAMANIAN WILL BE UNFAVORABLE TO COMPANY.  
TREATMENT OF CASE HAS ALSO CREATED PREDISPOSITION  
TO CONSIDER RIFS IN "NATIONALISTIC" TERMS WHICH  
OBSCURE DISCUSSION OF THE REAL REQUIREMENT FOR  
SOME MEASURES TO DEAL WITH FINANCIAL PROBLEM.  
AT BOTTOM, HOWEVER, CASE MADE BY RESPONSIBLE PANAMANIAN  
AGAINST RIF ACTIONS DOES NOT APPEAR HYPOCRITICALLY  
FOUNDED ON EITHER EXPLOITATION OF CASTRELLON CASE  
OR ON CONCERN AT ECONOMIC ILL-EFFECTS (ALTHOUGH  
THE LATTER IS AN IMPORTANT COROLLARY FACTOR).

RATHER, WE OBSERVE AN HONEST LACK OF UNDERSTANDING  
OF PANCAN'S FINANCIAL REALITIES, AND A SINCERE  
PERCEPTION THAT THE PANAMANIAN BASE OF THE LABOR  
FORCE WILL BEAR A SHARE OF THE "ECONOMY" BURDEN  
DISPROPORTIONATE TO THAT BORNE BY THE AMERICAN  
TOP. THIS IS AGGRAVATED BY GENERAL UNCERTAINTY AS TO  
WHETHER MORE RIFS WILL COME, AND HOW  
GREAT THEY MAY BE. IT IS POSSIBLE THAT AN EXPANDED  
EFFORT BY THE CANAL COMPANY TO ACQUAINT INFLUENTIAL  
PANAMANIAN DECISION-MAKERS WITH THE REALITIES OF THE  
COMPANY'S FINANCIAL TROUBLES, ACCOMPANIED BY TIMELY  
ADVANCE CONSULTATION ON ANY PLANS FOR RIFS OF  
PANAMANIAN EMPLOYEES WITH CONCERNED GOP OFFICIALS,  
WOULD AMELIORATE THAT PART OF THE PROBLEM WHICH  
ARISES OUT OF HONEST MISAPPREHENSION ABOUT THE  
CANAL'S FINANCIAL SITUATION. NEVERTHELESS, IF  
FURTHER RIF ACTIONS BEYOND THOSE ALREADY ANNOUNCED ARE NECESSARY,  
OUR ASSESSMENT IS THAT THIS WOULD HAVE THE POTENTIAL  
OF BECOMING A CONSIDERABLE PUBLIC RELATIONS PROBLEM  
FOR THE UNITED STATES IN THE REPUBLIC. END COMMENT.  
JORDEN  
UNQUOTE KISSINGER

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